

Leicester  
City Council

WARDS AFFECTED: Citywide

ECONOMIC DEVELOPMENT AND PLANNING  
SCRUTINY COMMITTEE

22nd March 2007

---

## City Development Companies

---

### Report of the Service Director Regeneration, Highways & Transportation

#### 1 Purpose of Report

- 1.1 To give Members an initial opportunity to discuss the Government's agenda for City Development Companies (CDCs), as requested by Cllr Kitterick.

#### 2 Summary

- 2.1 The Local Government White Paper offered Local Authorities the powers of setting up CDCs as a single economic development entity to cover a city or city-region. Given the often-expressed wish of Members to have a single regeneration body for Leicester, the offer should be welcomed and considered carefully.

#### 3 Recommendations

- 3.1 Members are recommended to note this briefing, and receive a full report at their next meeting.

#### 4 Financial & Legal Implications

##### *Financial Implications*

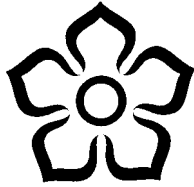
- 4.1 There are extensive financial implications of this issue, which will be thoroughly discussed in the full report to come to all Scrutiny Committees early in the next municipal year.

##### *Legal Implications*

- 4.2 As financial implications.

#### 5 Report Author

Guy Wisbey  
Team Leader (Regeneration Policy)  
Extension 7256  
[guy.wisbey@leicester.gov.uk](mailto:guy.wisbey@leicester.gov.uk)



Leicester  
City Council

**WARDS AFFECTED: Citywide**

**ECONOMIC DEVELOPMENT AND PLANNING  
SCRUTINY COMMITTEE**

**22nd March 2007**

---

## **City Development Companies**

---

### **Report of the Service Director Regeneration, Highways & Transportation**

#### **Report**

#### **1. Background**

- 1.1 The 2006 Local Government White Paper proposed the concept of CDCs as a city or city-region wide economic development company to drive economic growth and regeneration. Communities and Local Government (CLG) has issued a consultation paper with a deadline of 7<sup>th</sup> March.
- 1.2 The Council's response to the consultation paper is appended to this report. It was drafted in consultation with the Leader, the Cabinet Lead for Regeneration, the two emda Board members and the four ED&P Scrutiny spokespersons.
- 1.3 The consultation response does not commit the Council to anything. However, forming a CDC should be considered seriously because it offers the potential to:
  - Simplify the current delivery of economic development and regeneration
  - Reduce the number of organisations involved
  - Achieve better joined up working between partners
  - Treat the Leicester conurbation as an economic whole, rather than be constrained by the City boundaries
- 1.4 CDCs are part of a wider Government agenda, including the broadening of the 'fourth block' of the Local Area Agreement to cover "place shaping" – the leadership of the Local Authority in defining how its area develops and becomes a great place to live, work and invest.
- 1.5 The White Paper strongly encourages closer working between regeneration & worklessness, and environmental issues & sustainable development. There is a clear Government desire for integration of a number of key themes, which have not previously come under the standard economic development heading. These include:
  - redefining the "fourth theme" as economic development and the environment – which now seems to include land use planning
  - growth, transport, strategic planning
  - strategic housing issues
  - culture and sport

- using city centre, schools and hospital developments to take forward the economic agenda – for example upskilling and training local labour
- 1.6 It seems that the “fourth theme” of the LAA, (on which LEAP leads), will become increasingly focused on making cities and city-regions able and willing to plan their future and deliver the whole ‘liveability’ and ‘sustainable communities’ agendas. This is a major change from partnerships being reactive, to being proactive in producing and implementing Masterplans to deliver the required outcomes. It also relies heavily on the bending of existing mainstream resources, not on new funding streams.
- 1.7 There are some complicated issues here, and therefore a full report will be produced for consideration by all Scrutiny Committees at their first meeting of the next municipal year. It will benefit from unified officer advice from the Corporate Directors Board.

## **2. Current organisations driving economic development**

- 2.1 The agenda likely to be covered by a CDC is currently addressed by a number of partnerships. The expectation of simplification is likely to affect how they work and are funded. Any decision on CDCs therefore has to ensure that there is no loss of momentum or expertise as new structures are put into place.
- 2.2 The partnerships involved include:
- The Leicester Regeneration Company (LRC), owned and funded equally by the City Council, emda and English Partnerships
  - The Leicester Shire Economic Partnership (LSEP), owned and funded by emda, with substantial contributions from the City and County Councils and a number of other local organisations
  - The Leicester Economic Action Partnership (LEAP), the economic prosperity arm of the Leicester Partnership, responsible for delivering the ‘fourth block’ of the LAA and for commissioning Neighbourhood Renewal Fund spend on the NRF floor targets
- 2.3 There are also a number of other schemes within the City that could fall under a CDC delivery remit, should the Council consider it sensible:
- The delivery of Ashton Green as a sustainable zero-carbon settlement of some 3,500 homes;
  - Leading on the New Growth Points programme
  - Local labour and local procurement agreements with developers
  - Future phases of Building Schools for the Future, to ensure that new schools become centres of their communities and provide joined-up facilities;
  - Future phases of the LIFT provision of multi-disciplinary health and social care services;
  - Assembly and provision of high quality employment sites;
  - Neighbourhood service provision;
  - Replacement of unfit housing and remodelling of hard-to-let homes;
  - Plan-led improvement of the community infrastructure on the outer estates
- 2.4 The possible breadth of a CDC is the reason all Scrutiny Committees will be asked to comment on the full report, and why all partners must be given an opportunity to engage in the process.

### **3. Options**

- 3.1 The full list of options will be given in the full report, with the necessary supporting information. Essentially they are:
- Continue as we are – decide a CDC is not right or not necessary
  - Continue with the existing organisations, but make improvements to ensure better joined up working and more effective delivery
  - Set up a CDC based on the existing LRC but addressing some of the issues (such as inability to own land) which have been barriers to delivery
  - Set up a CDC based on the existing LSEP
  - Set up a CDC based on the existing LEAP
  - Set up a CDC from scratch, taking the necessary elements from each of the three existing organisations and adding other functions as required.
- 3.2 As noted in the consultation response below, whichever option chosen will require an agreed and properly resourced remit to deliver regeneration and economic prosperity. Leicester is on the cusp of massive physical change, which has to benefit all our people. Uncertainty and unnecessary reorganisation would make the process lose momentum and damage the growing private sector confidence in Leicester as a place to invest.
- 3.3 There is no requirement to set up a CDC. Government will not issue the final guidance for some months, and it may be that it will not suit Leicester's circumstances. However, having had this debate will help define our ambitions and make our current partnerships work better together.
- 3.4 Should a CDC seem an appropriate way forward, then the Council and its partners need to have an informed debate on the practical aspects of its scope, geographical coverage, governance and delivery capacity. Once agreed, the chosen solution needs to be implemented rapidly and seamlessly.
- 3.5 Corporate Directors Board will produce the unified advice necessary for this debate.

## The Role of City Development Companies in English Cities and City Regions

### Consultation response from Leicester City Council

February 2007

#### Introduction

Generally speaking we welcome the CDC proposals and think that a CDC could bring vision, clarity and purpose to Economic Development and Regeneration in Leicester. It could really assist Leicester's "place shaping" agenda over the next 5 to 7 years. It could bring a more effective alignment of objectives and funding across agencies and enable a much simpler organisational landscape. There are advantages in a more unified approach to the funding for economic development in the City. We can see the merits in a new body with more local autonomy with regards to spend and the promotion of economic development in the City and greater Leicester. (Leicester is unusual in having a very tight municipal boundary to the City with a lot of employment activity just outside the boundary). Leicester's Principal Urban Area Boundary, that is identified through the Growth Points initiative and the Regional Strategy could be a useful area to focus on for a new CDC, but only if the inner city/city centre focus is not lost.

European State Aid rules would need to be considered carefully with regard to risks and parameters.

There is scope for CDCs to link with MAA and for this emphasis to be given.

#### **1. What are the advantages and risks of moving towards a more unified approach to economic development at the city or city-regional level?**

The basic concept is very welcome. The concept of project-oriented delivery of the RES at the greater Leicester level has much in common with the URC approach.

Widening this concept to a city region is logical and our preferred option. Our experience has been that structured physical change is a potent tool in re-structuring local economies, but that confining its geographical area to anything smaller than the city region creates strong and unnecessary constraints on its effectiveness. In particular, the shortage of employment sites in the city area, inhibits our ability to relocate existing companies to make way for major regeneration projects.

The tightly-defined boundaries of this city have, historically, created a ring of employment, retail and leisure developments in unsustainable fringe locations in adjacent Districts, which have directly and adversely impacted on the city centre. A vehicle to co-ordinate economic development delivery, with committed cross-boundary support as a condition of accreditation (see below), would be a great improvement.

#### **2. Should Government seek to develop a CDC brand, with formal approval needed for CDC status to be granted?**

If CDCs were simply 'like URCs, only bigger', then we would miss an opportunity to remedy some of the operational flaws in the URC model itself. The key lies in a rigorous CLG accreditation process, focussing on the prior commitment of the public partners and specifying in some detail their commitment of resources, support throughout their

organisations, and the operational flexibility which they will afford to the CDC. This suggests a process:

An existing body such as a URC, or a 'shadow' CDC, drafts a master plan or programme. This combines local delivery of the RES, the LAA and any other strategies government wants it to, with the CDC's own 'bottom up' insights, innovations and local strategy.

The key partners then sign up to it. The strength of that commitment should be a key criterion for CLG in determining accreditation of the CDC, encompassing the detailed day-to-day management measures they will operate within their own organisations to support the CDC and a signed protocol to ensure that it permeates all their own programmes, priorities and operations. This test should be rigorous.

To gain accreditation, the partners should have to endow the CDC with resources - both revenue and capital – and then allow it to get on with delivery without micro-managing and without the need to get RDA/LA/EP approval to each individual element of each individual project. Evidenced partner commitment to do this should again be a CLG criterion.

### **3. Is a variation on the URC model the best approach for CDCs to adopt?**

The URC model, as a voluntary but highly visible partnership between key public bodies and the private sector, is a strong model and has much to offer to future generations of delivery vehicle. However, it has marked, inherent but remediable weaknesses. Our answer to this question is therefore a conditional 'yes': the URC model is a strong one but it is vital that the opportunity to remedy conceptual flaws is taken when creating CDCs.

This is already covered in Question 2 above.

### **4. Are other existing models suitable for CDCs?**

Within Leicester we have a city focused Economic Partnership and a sub regional economic partnership that lessons could be drawn from. The URC model does have much to offer provided it is modified, as we suggest in other answers, to remedy its avoidable current limitations.

### **5. Do you agree with the suggested 'basic principles' for CDCs as set out in this paper?**

The paper envisages a cascade of plans and ideas, from the Sustainable Communities Strategy, via the RES, down through Council's Local Development Frameworks and Local Area Agreements drawn up by Local Partnerships and approved by Government's Regional Offices, and thus eventually to the CDC master plan and programme. The implication is that the CDC and its plan would encompass all of these and act as their implementation vehicle.

This is top heavy and provides a recipe for delay, vagueness and inflexibility, especially if all these bodies have an operational controlling influence on the CDC.

Within this structure, there must be scope for the CDC to provide a bottom-up interpretation of local needs - a spark of local inspiration.

The consultation paper over-emphasises the role of the RDA and LA as the key partners, portraying the CDC simply as the delivery vehicle for their established

strategies. Other sources of inspiration need to be encouraged and other links need to be maintained, not least the involvement of EP as a national physical regeneration voice.

## **6. Will CDCs be more effective when operating at the city-region scale?**

See Question 1 above. Running across LA boundaries is a good idea and would be very beneficial to Leicester, in cities like Leicester we have tightly-drawn political boundaries that do not reflect the reality of economic activity. Also the CDC could possibly operate as a fee-charging implementation vehicle for adjacent District Councils, as Nottingham Regeneration Ltd does in Greater Nottingham e.g. in Leicester it could take on projects for Loughborough or Hinckley, the two other main urban centres in the County area.

## **7. What are the functions that CDCs could most usefully perform?**

Giving local partners a choice as to which additional functions a CDC should take on is the right approach, but the potential range is a wide one. If a CDC tried to cover all these potential functions, as an amalgam of a wide range of strategic and delivery bodies, it would grow very large and risk becoming just another big bureaucracy. If we were choosing from this 'menu', we would keep a sharp focus on master-planning, delivery of physical regeneration and infrastructure, and economic development, including facilitating new employment sites. In specifics a CDC could take on the role of our current URC, master planning, the city's emerging neighbourhood regeneration strategy, New Growth Points and economic development activity.

## **8. What role should CDCs play in supporting public-private regeneration vehicles?**

LABVs have great potential. Our own experience of working with Blueprint, the emda/EP/Igloo vehicle for the East Midlands, has been very positive. It may well be that setting up such vehicles on a wider basis than an individual city is more likely to achieve a critical mass of assets and projects.

## **9. Do you agree with the suggested 'governance' criteria? Are other forms of ownership appropriate?**

Broadly, yes, but the issue of 'representation' is important. If representation was viewed as the important issue, it could become cumbersome, with issues of mandates and of referring back to parent bodies for key decisions, with all the delays and uncertainty which that would create.

## **10. How could CDCs pursue innovative but reliable approaches to meeting running costs while avoiding conflicts of interest?**

The prime source of funding must remain the public sector partners with private sector contributions to get their buy in and commitment. Partners should, as part of the accreditation process, be required to make and stick to this requirement.